Trizec Exhibit 1.0

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

CENTRAL ILLINOIS PUBLIC SERVICE COMPANY and UNION ELECTRIC COMPANY	)	
	)	Docket No. 02-0656
Petition for approval of tariff sheets implementing revised Market Value Index methodology.	)	
COMMONWEALTH EDISON COMPANY	)	
	)	Docket No. 02-0671
Proposed revision of Rider PPO (Power Purchase Option – Market Index), Rate CTC (Customer Transition Charge) and Rider ISS (Interim Supply Services), and to establish Rider CTC – MY (Customer Transition Charge – Multi-Year Experimental). (Tariffs filed on October 1, 2002)	)	
ILLINOIS POWER COMPANY	)	
	)	Docket No. 02-0672 (Cons.)
Proposed establishment of Rider MVI II, Market Value Index II. (Tariff filed October 1, 2002)	)	

DIRECT TESTIMONY OF

ROGER W. TURNER

ON BEHALF OF
TRIZEC PROPERTIES, INC.

December 16, 2002

Q. Please state your name and business address.

A. My name is Roger Turner. My business address is GEV Corp., 333 N. Michigan Avenue, Suite 2800, Chicago, IL 60601.

Q. On whose behalf are you testifying?

A. Trizec Properties, Inc. ("Trizec"). Trizec is the owner and/or operator of the Sears Tower as well as the buildings at 10 S. Riverside Plaza, 120 S. Riverside Plaza, 2 N. LaSalle and 550 W. Washington, in Chicago. These buildings have an aggregate peak capacity of over 40 MWs within the Commonwealth Edison Company ("ComEd") service territory.

Q. Please describe your professional background.

A. I am a co-founder of GEV Corp. ("GEV") and have more than 30 years' experience in the energy business. GEV specializes in securing electricity supply contracts for consumers that save money while minimizing the economic risks posed by newly competitive markets. I developed GEV's proprietary computer model which is used to analyze electricity supply proposals in the ComEd service territory. The model provides economic and strategic evaluation of competing electricity proposals under various load profiles. GEV has analyzed electricity savings opportunities using this model for more than a thousand accounts in the ComEd service territory including all of

Trizec's buildings. GEV has produced positive results for many clients, ranging from large electricity consumers like the Sears Tower to mid-size and small manufacturers and other smaller businesses.

During my career, I have held several executive positions for leading U.S. and Canadian companies and operated my own energy consulting firm which specialized in the supply and distribution of natural gas, natural gas liquids and electricity. In these positions I have developed and implemented competitive energy supply arrangements to reduce costs for energy users.

Q. Do you have experience with respect to ComEd's tariffs including the Rider PPO-Purchase Power Option (Market Index) tariff ("Rider PPO-MI" or "PPO-MI") and Rate CTC-Customer Transition Charge tariff ("Rate CTC" or "CTC")?

A. Yes. As I mentioned above, I was responsible for development and refinement of the proprietary computer model which GEV uses to analyze and compare competitive electricity supply proposals in ComEd's service territory. The model incorporates ComEd's tariffs for bundled electricity supply and delivery ("bundled rates"), as well as ComEd's tariffs for delivery of competitive electricity ("delivery services rates"). The model is specifically designed to compare estimated charges under competitive supply proposals and ComEd's Rider PPO-MI, including ComEd's applicable distribution, transmission and Rate CTC charges, with estimated charges under ComEd's bundled rates. I have performed analyses for many customers in the ComEd service area to

determine their economic justification – if any – for switching from ComEd's bundled rates to either competitive electricity supply or ComEd's Rider PPO-MI. As a result, I am familiar with the practical impacts of ComEd's PPO-MI and CTC tariffs which are the subject of this case.

Q. **What is the purpose of your testimony in this case?**

A. The purpose of my testimony is to comment on how the revisions proposed by ComEd to its Rider PPO-MI and Rate CTC tariffs in ComEd's October 1, 2002 filing in this case need to be enhanced with additional modifications.

Q. Please summarize the additional changes that you contend ComEd must make to its PPO-MI and Rate CTC tariffs to enhance the proposed modifications in ComEd's October 1, 2002 filing.

A. Briefly, they are as follows. (I will discuss each of them in greater detail later in my testimony.)

1. ComEd must increase the amount of its Market Value Energy Charges ("MVECs") by approximately 0.8 cents per kwh from the amount calculated by the current formula in ComEd's PPO-MI tariff as opposed to the estimated 0.25¢ per kwh increase which results from ComEd's proposed modifications to its current PPO-MI tariff formula.

2. ComEd must begin calculating and using customer-specific CTCs for all customers with greater than 400 KW of peak demand rather than only customers with greater than 1 MW of peak demand as ComEd has proposed.

3. ComEd needs to expand and modify its proposed multi-year CTC which would allow CTCs to be established for two years and limit the availability of the two-year CTCs to a yearly aggregate of 500 MW of customer demand.

4. In the event that ComEd's transmission or delivery service rates are adjusted during the transition period, ComEd's multi-year CTCs must be adjusted in the manner provided in Section 16-102 of the Public Utilities Act.

5. While I do not oppose ComEd's proposal to move the date for releasing ComEd's Applicable Period A MVECs and CTCs from the current date of April 1 to February 1, ComEd's proposed "window" of 60 days for signing up for ComEd's PPO-MI tariff based on these values is too short and should be expanded.

Q. **Why must ComEd increase its MVECs by approximately 0.8¢ per kwh from the amount which results from the current formula in ComEd's PPO-MI tariff?**

A. Our experience at GEV indicates that ComEd must increase its MVECs by at least 0.8 cents per kWh. Since 1999, GEV has analyzed savings and competitive electricity supply proposals for thousands of accounts. In our experience, the only time there has been a vibrant competitive market is when electricity market prices dropped

substantially right after ComEd's MVECs were set for ComEd's Applicable Period A in 2001. In our experience, the only other times when there has been even a "mildly" competitive market was in the latter portion of ComEd's Applicable Period A in 2000 and 2002 when the suppliers worked out wholesale electricity supply arrangements with ComEd (in 2000) and Exelon Generation (in 2002) which effectively gave the suppliers a 0.5 cents per kWh discount on wholesale purchases. After the 0.5 cents discount was put in place, some customers were able to attract offers from suppliers which beat the charges under ComEd's Rider PPO-MI by slight margins while other customers were still unable to attract any offers that beat PPO-MI charges. The bottom line is that since ComEd's PPO-MI tariff went into effect on May 1, 2000, it is our experience that during the vast majority of the months (including the current time) no offers could be obtained for any customers which beat the PPO.

Q. ComEd has proposed specific changes to its calculation of the Market Value Index ("MVI") which it estimates would increase MVECs by approximately 0.25¢ per kwh from the MVECs resulting from the current formula in ComEd's tariffs. Are these changes sufficient?

A. No. While these changes are necessary improvements, they are not enough. Assuming that the 0.25¢/kWh increase to the MVECs is accurate, an additional adder of approximately 0.55¢/kwh to ComEd's MVECs is still needed to provide for a vibrant competitive electricity market in ComEd's service territory.

Q. **You contend that ComEd's proposals to calculate and use customer-specific CTCs for all customers with more than 1MW of peak demand (rather than the current standard of all over 3 MW customers) is insufficient. Why?**

A. Based on GEV's experience in analyzing over a thousand ComEd accounts for potential savings, we have found that a significant percentage of customers cannot achieve savings from charges under ComEd's applicable bundled rates either from competitively supplied electricity or ComEd's PPO-MI tariff. Many of these "non-saving" customers have a significantly better "load factor"* than the other members of their ComEd delivery services class. Moreover, customers who use a much higher percentage of off-peak electricity than the average of their customer class also have been often unable to achieve savings.

ComEd currently calculates class-based rather than customer-specific CTCs for nearly all customers smaller than 3 MW. These class-based CTCs are basically an "average" CTC for each class of customers and are much higher for some customers than they would be if the CTCs were calculated for the customer individually. These class-based CTCs and ComEd's other charges for delivery of electricity, in combination with Rider PPO-MI and/or competitive supply electricity prices, typically yield total electricity charges that are higher than charges under ComEd's bundled rates for many customers with high load factors and/or high percentages of off-peak usage. Therefore, these

* "Load factor" represents the ratio of average electricity demand to maximum demand. A high load factor means power usage is relatively constant.

customers generally cannot save money either by purchasing electricity from competitive suppliers or under ComEd's PPO-MI tariff.

To address this issue and insure that all customers have the opportunity to achieve roughly equivalent percentage savings from alternative supply options to ComEd's bundled rates, including ComEd's Rider PPO-MI, it would be necessary for ComEd to calculate customer-specific CTCs for all customers. Due to the administrative burdens of doing this, however, I am recommending that individual CTCs should be calculated and used for all customers with over 400 KW of peak demand. This could be done without ComEd incurring any significant administrative costs and makes sense because most customers with over 400 KW of demand have meters which segment on-peak and off-peak usage. These customer-specific CTCs should be calculated and used beginning with ComEd's Applicable Period A in 2003.

Q. If your recommendations for a 0.8¢/kwh adder to ComEd's PPO-MI and customer-specific CTCs for all customers over 400 KW are adopted, is there still a need to have ComEd provide an option to customers of fixing their CTCs for more than one year?

A. Yes. ComEd's Applicable Period A MVECs and CTCs are currently released on or around April 1 and are established for a one-year period. Each year, in May, customers continuing on delivery service are subject to ComEd's newly calculated Period A CTC. The option of a CTC that can be fixed for longer periods of time provides

delivery service customers with the security to lock in long-term contracts to purchase electricity from competitive suppliers.

Large customers, in particular, often prefer multi-year supply contracts, which give them the opportunity to "lock in" their charges for several years and more accurately project this major cost. Competitive suppliers also favor multi-year contracts because they can anticipate their electricity requirements and enter into favorable wholesale contracts for electricity. The uncertainty regarding the current CTC is the "fly in the ointment" for these customers.

Problems caused by the yearly changes in the CTC were particularly acute this past summer when retail customers with existing multi-year contracts for purchase of competitive electricity were unpleasantly surprised by a substantial increase in ComEd's CTCs from ComEd's 2001 Applicable Period A to ComEd's 2002 Period A in the range of 2 cents per kilowatt hour. Because of the significant increases in ComEd's CTCs, a large number of customers under multi-year contracts with competitive suppliers experienced much higher total electricity charges than they would have under ComEd's PPO. Some customers even had total electricity costs significantly higher than they would have had under ComEd's bundled rates. Price uncertainty due to the CTC is a serious impediment to developing a truly competitive electricity market in ComEd's service territory. This price uncertainty would still exist even if the PPO-MI adder and customer-specific CTC recommendations I have made are adopted unless a properly designed multi-year CTC option also is instituted.

Q. ComEd has proposed an experimental Multi-Year Rider CTC ("Rider CTC-MY") that would allow customers who purchase electricity from competitive suppliers to establish their CTCs for a two year period. Is ComEd's proposal sufficient to meet customer's needs for a multi-year CTC?

A. No. ComEd's proposed Rider CTC-MY is a step in the right direction. However, there are several problems with this proposal:

- ComEd's proposed Rider CTC-MY is available only to 500 MW of aggregate customer load annually. ComEd's approximately 375 over 3 MW customers alone represent approximately 2,500 MW of aggregate customer load. It is unacceptable for ComEd to request a 500 MW "cap" which represents only 20% of the total demand of only ComEd's over 3 MW customers.
- The currently proposed ComEd Rider CTC-MY has a maximum "life" of 2 years. This is not long enough for customers wishing to "lock-in" supply from June of 2003 through December of 2006 (roughly 3.5 years) when ComEd's competitive transition period ends.
- ComEd's proposed Rider CTC-MY does not provide any reduction in CTC charges to reflect the fact that ComEd will be relieved of the responsibility of providing electricity to these customers for a long period.

ComEd should not place any limit on the availability of a multi-year CTC other than that these CTCs will be available only to customers who are eligible for

customer-specific CTCs from ComEd. ComEd must also offer such customers the option of CTCs that last through the end of the transition period. Finally, ComEd should provide a further reduction in CTCs to those customers who commit to a multi-year CTC and its requirement to not purchase electricity from ComEd under either its bundled rates or PPO-MI tariff for the period of the multi-year CTC. This CTC reduction should be "progressive" with greater reductions being given to customers that elect CTCs that are determined for greater periods of time.

Q. Why should ComEd provide multi-year CTCs that extend to the end of the competitive transition period?

A. Allowing customers to establish CTCs through the end of the transition period will encourage them to enter into long term contracts to fix their electricity costs. This allows a customer to "synchronize" the CTC with competitive electricity price proposals and provide a more predictable total cost for electricity. Moreover, unless ComEd allows customers in the 3 MW and greater class to have CTCs that are fixed through the end of the transition period, there may be a widespread customer exodus of 3 MW and greater customers to a predictable 6L rate because there is now only a one-time opportunity to go back to this bundled rate under the terms of ComEd's recently revised Rate 6L. This would represent a substantial competitive setback.

Q. Why do you specify that all multi-year CTCs must be automatically adjusted to account for changes in transmission and/or delivery service charges?

A. Currently, a customer's transmission and delivery service charges are deducted during the calculation of its CTC under ComEd's tariffs. Therefore, an increase in either charge will reduce a customer's CTC. It is likely that ComEd will receive approval to increase charges for delivery and/or transmission services before the end of the transition period. For customers with multiple year contracts, it is important that they not suffer by missing the opportunity to have the same corresponding reduction in their CTCs as they would if they were having their CTCs calculated on a yearly basis.

Q. Why do you say that ComEd's proposal to give customers a 60 day "window" for acting on newly released MVEC and CTC values for purposes of signing up for ComEd's PPO-MI tariff is unacceptable?

A. Analyzing the effects of newly issued MVECs and CTCs and translating the results of that analysis into sound purchase contracts for electricity is a time-consuming and intense process. It requires not only extensive analysis, but also presentation of the findings to customers who are often not well-versed in the intricacies of the competitive electricity market. Moreover, the lengthy internal approval process of some large customers also requires a substantial period of time. It is in the interest of the competitive electricity market in Illinois that customers have sufficient time to make thoughtful and well-informed electricity purchasing decisions which include adequate consideration of ComEd's PPO-MI tariff. Sixty days is not a sufficient time to complete this process.

This "window" should be expanded and the same expanded "window" should also apply to election of multi-year CTCs.

Q. **Does this conclude your testimony?**

A. Yes, it does.